

# Department of Employment and Workforce

## FY2017 Management and Trust Fund Review



*To promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals and communities*

–DEW Mission Statement

January 2018

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# Review of the Administration and Operations of the SC Department of Employment and Workforce FY2017

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## Administration and Management

### Agency Mission

The mission of the S.C. Department of Employment and Workforce (DEW) is to promote and support an effective, customer-driven workforce system that facilitates financial stability and economic prosperity for employers, individuals and communities.

As the state's lead workforce development agency, our primary goal is to match jobseekers with employers quickly, efficiently and effectively. DEW, a proud partner of the American Job Center network and one of 16 cabinet agencies, is a partner in the state's workforce system that includes SC Works Centers, satellite offices, and Connection Points located throughout the state's 12 local workforce development areas. At these locations, DEW and its partners provide services to meet the needs of the state's businesses, jobseekers and those looking to further their careers.

The agency's strategic plan includes five key goals in support of this mission:

- Protect and safeguard the security and privacy of stakeholder data.
- Facilitate a workforce system that fosters financial stability and economic prosperity.
- Become an employer of choice in the state of South Carolina.
- Provide customer service excellence to all internal and external stakeholders.
- Achieve optimal value from available resources and funding to increase public trust.

## Primary Products and Services

### Workforce and Economic Development

The Division of Workforce and Economic Development (WED) is responsible for the administration of federal programs which provide funding and services to assist businesses meet their need for skilled workers and to aid individuals in securing training to prepare for gainful employment.

WED collaborates with educational and economic development leaders to strengthen the state's workforce pipeline through facilitation of middle-skill and middle-wage attainment, creation of education and career pathways, development of one, consistently delivered soft skills competency-based curricula, and enhancement of school-to-work transition and youth-focused programs.

WED works actively to align the state's public workforce-development resources with a customer-centered delivery system to South Carolina's businesses and jobseekers.

### Business Intelligence Department

The Business Intelligence Department integrates all of the agency's data including the former Labor Market Information, federal Workforce Development training programs' Performance and Reporting, and Unemployment Insurance's (UI) Statistical Reporting, into one unit with the goal to better foster partnerships across all programs.

DEW, in conjunction with the Bureau of Labor Statistics (BLS) and the Employment and Training Administration (ETA), provides a broad array of statistical data and services

for use by job seekers, employers, educators, planners, economists, students, economic developers and others. The data is presented in publications, articles, news releases, pamphlets and on the Internet. Additionally special data requests are often received and fulfilled by this unit. Types of data available include unemployment statistics, recent industrial employment numbers, occupational data, wage survey results, and industry and occupational projections.

The Business Intelligence Department is responsible for producing performance statistics and fulfilling reporting requirements of the Workforce Innovation and Opportunity Act (WIOA). The department also provides reports and statistics for the Unemployment Insurance program.

### Unemployment Insurance

Unemployment Insurance (UI) is a federal program created to financially assist eligible individuals who are unemployed through no fault of their own while they actively search for suitable work.

The program allows UI recipients to maintain purchasing power, therefore easing the serious effects of unemployment on individual households, the community and the state. In South Carolina, a UI claim can provide up to 20 weeks of benefits. The maximum weekly benefit is \$326 while the average weekly benefit amount as of June 30, 2017, was \$259.<sup>1</sup>

Employers finance the UI program through tax contributions from businesses, and DEW is responsible for the collection, accounting and auditing functions of South Carolina's UI tax program. DEW administers the UI program according to guidelines established by the South Carolina Code of Laws, Title 41 and South Carolina Code of Regulations, Chapter 47.

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<sup>1</sup> <http://workforcesecurity.doleta.gov/unemploy/content/data.asp> 2nd Quarter 2017

## Employees

As of June 30, 2017, the Agency had a total of 712 employees.

- 5 Unclassified Employees
- 622 Full-Time Employees
- 60 Temporary Grant Employees
- 25 Temporary Employees

## Results

### Workforce and Economic Development

South Carolina again achieved record-breaking employment levels in this program year (PY), which ran from July 2016 through June 2017, exceeding 2.2 million people working. South Carolina's unemployment rate in June was 3.9%.

Table 1: WED Program Performance Outcomes

Program and Measure	PY '14 4th Qtr (7/01/14- 6/30/15)	PY'15 4th Qtr (7/01/15- 06/30/16)	PY'15 Goal	Percent of Goal
WP Entered Employment Rate	63.8%	67.6%	59.5%	113.6%
WP Employment Retention Rate	84.0%	84.6%	85.0%	99.5%
WP Six-Month Average Earnings	84.0%	\$12,016	\$11,800	101.8%
Veterans Entered Employment Rate	61.4%	63.9%	57.0%	112.1%
Veterans Employment Retention Rate	83.9%	84.6%	81.0%	104.4%
Veterans Six-Month Average Earnings	\$15,785	\$15,879	\$14,700	108.0%
Disabled Veterans Entered Employment Rate	53.2%	55.8%	52.0%	107.3%
Disabled Veterans Employment Retention Rate	83.0%	82.0%	80.0%	102.5%
Disabled Veterans Six-Month Average Earnings	\$16,184	\$16,412	\$15,300	107.3%
DVOP - Intensive Services Provided	81.8%	96.7%	90.0%	107.4%
DVOP - Veterans Entered Employment Rate	63.7%	60.8%	60.0%	101.3%
DVOP - Veterans Employment Retention Rate	83.3%	83.3%	80.0%	104.1%
DVOP - Veterans Six-Month Average Earnings	\$14,503	\$14,610	\$14,500	100.8%
DVOP - Disabled Veterans Entered Employment Rate	55.3%	53.9%	53.0%	101.7%
DVOP - Disabled Veterans Employment Retention Rate	81.9%	77.6%	80.0%	97.0%
DVOP - Disabled Veterans Six-Month Average Earnings	\$14,574	\$15,072	\$16,000	94.2%
WIOA Adult Entered Employment Rate	75.8%	79.9%	72.0%	111.0%
WIOA Adult Employment Retention Rate	87.2%	87.7%	87.0%	100.8%
WIOA Adult Six-Month Average Earnings	\$11,194	\$11,560	\$11,000	105.1%
WIOA Dislocated Worker Entered Employment Rate	82.5%	84.6%	79.5%	106.4%
WIOA Dislocated Worker Employment Retention Rate	91.1%	93.7%	92.7%	101.1%
WIOA Dislocated Worker Six-Month Average Earnings	\$14,279	\$15,485	\$15,100	102.6%
WIOA Youth Placement in Employment or Education	74.3%	74.1%	70.5%	105.1%
WIOA Youth Attainment of Degree or Certificate	69.7%	68.8%	71.0%	96.9%
WIOA Youth Literacy or Numeracy Gains	56.5%	54.7%	58.5%	93.5%

Wagner Peyser and WIOA performance measures are met if 80% of the goal is achieved.

Program and Measure	FY'17 1st Qtr (10/1/2016- 12/31/2016)	FY'17 2nd Qtr (1/1/2017- 3/31/2017)	National FY'17 Goal	Percent of Goal 2 <sup>nd</sup> Qtr
TAA Entered Employment Rate	75.8%	72.5%	72.3%	99.7%
TAA Employment Retention Rate	91.5%	90.7%	91.3%	99.3%
TAA Six-Month Average Earnings	\$15,031	\$18,071	\$20,609	87.7%

In PY '16 DEW continued to advance workforce issues. Below are some highlights from the year.

- Expanded Back to Work Program into Greenville market to help single mothers who are overcoming addiction find gainful employment.
- Expanded Second Chance Program into Camille Graham facility. This program works with females incarcerated in the state prison system and helps them find gainful employment once released.
- In 2016, a reentry employment and training program was launched at the MacDougall Correctional Institution in Ridgeville, SC. The program provides occupational skills training and wrap-around support services to Veteran and non-Veteran inmates in preparation for employment upon release. Through the same initiative, Operation Educate was sustained and expanded, serving inmates at the Spartanburg County Detention Center.
- Five local workforce development areas received funding to expand public transportation for the purpose of improving access and removing transportation barriers to employment and training opportunities.
- In partnership with DEW, the State Workforce Development Board published their 2017–2020 Strategic Plan, "Strategies to Build a Competitive Workforce", which outlines objectives and strategies for the development of a skilled talent pipeline.



- The JAG Multi-Year Model was launched in South Carolina in 2005 at 14 high schools. JAG-SC is entering its 13th year of service at the original pilot schools and has assisted more than 11,000 youth through 25 JAG-affiliated sites. JAG-SC is an award winning program, exceeding all of the national JAG performance outcomes for seven consecutive years. Performance outcomes (reported one year after graduation and follow-up period) for the Class of 2016 are:

**Jobs for America's Graduates (JAG) performance measures**

	<b>Graduation Rate</b>	<b>Civilian Military Placement</b>	<b>Total Positive Outcome</b>	<b>Total Full-Time Placement</b>	<b>Total Full-Time Jobs</b>	<b>Further Education Rate</b>	<b># of Senior Students</b>
<b>JAG Standard</b>	90.00%	60.00%	80.00%	80.00%	60.00%	30.00%	--
<b>C/O 2015-2016</b>	98.86 %	66.92%	91.15%	93.10%	78.16%	52.31%	<b>263</b>

## Unemployment Insurance

The economic recovery in the state continued to bring the number of new and continued claims for UI down to pre-recession levels which helped the division achieve many of its federal timeliness and quality goals. DEW was able to maintain these goals despite a steady decline in funding and without additional layoffs. The total initial claims filed and total number of weeks claimed for the past six fiscal years are shown in the table below.

Table 2: Unemployment Insurance Workload, FY2012–FY2017<sup>2</sup>

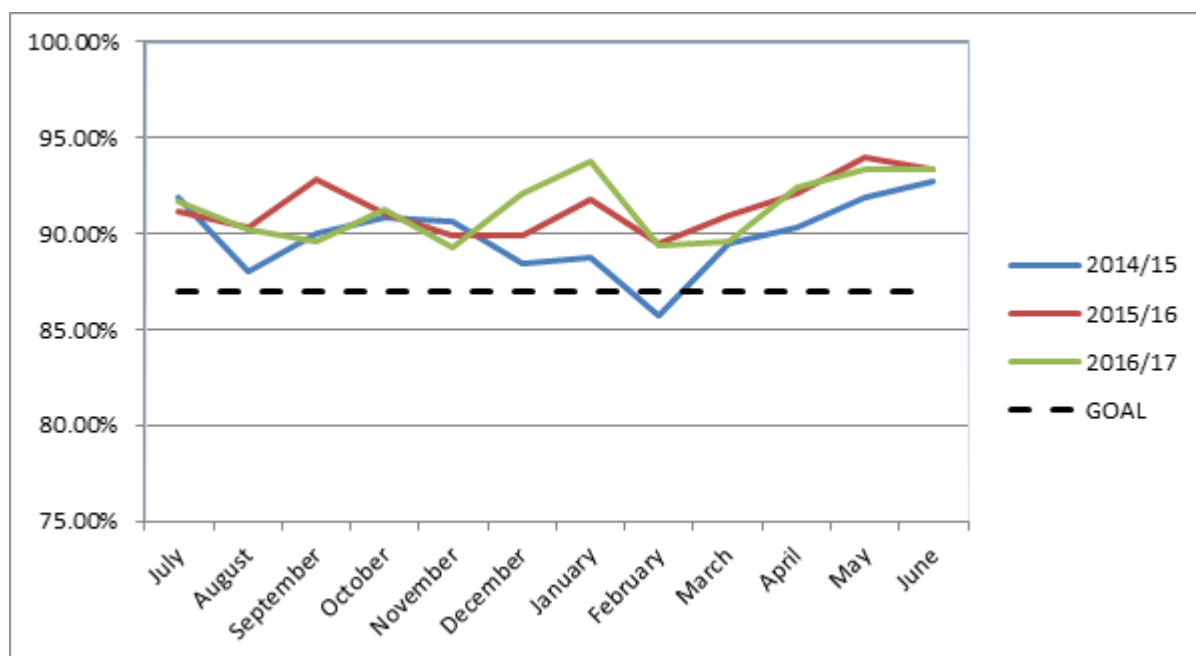
Time Period	Total Initial Claims	Total Weeks Claimed
July 2011–June 2012	282,492	2,368,511
July 2012–June 2013	257,244	1,628,978
July 2013–June 2014	222,801	1,291,119
July 2014–June 2015	178,990	912,060
July 2015–June 2016	169,757	850,188
July 2016–June 2017	142,395	773,806

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<sup>2</sup> Source: DOL Data Summary <http://workforcesecurity.doleta.gov/unemploy/content/data.asp>  
(excludes federally funded Emergency Unemployment Compensation claims)

DOL requires that 87 percent or more of all eligible unemployment claims be paid within 21 days of the claim effective date. As reflected in the below chart, over the past three years, the agency has made dramatic improvements in meeting this “time lapse” measure due to a declining workload in combination with business process improvements.

**Figure 1: UI Benefit Timeliness**



## Unemployment Insurance Trust Fund

### Current Unemployment Compensation Fund Status

The unadjusted UI Trust Fund balance as of June 30, 2017 was \$678,148,439<sup>3</sup>. No federal advances (i.e., the loans) were needed to pay state UI benefits during FY2017. All advances from the federal government were repaid as of June 11, 2015.

### Recent Unemployment Compensation Fund History

Historical data of the principal components of the state Unemployment Trust Fund are outlined in the table below.

**Table 3: Unemployment Compensation Fund Components, FY2011–2016<sup>4</sup>**

Component	FY2012	FY2013	FY2014	FY2015	FY2016
<b>Contributions</b>	411,039,535	486,539,699	428,886,783	401,286,923	354,500,373
<b>Earned Interest</b>	Interest not earned while Fund is in Debt Status			7,192,500	12,208,042
<b>Benefits</b>	258,801,120	231,775,670	193,065,875	170,111,356	171,037,281
<b>Fund Balance</b>	210,641,954	311,662,005	175,177,167	461,637,676	678,148,439
<b>Total Wages</b>	55.1 billion	58.5 billion	61.6 billion	65.4 billion	69.9 billion

Note: Certain adjustments have been made to correctly carry forward prior year balance.

<sup>3</sup> Treasury Direct Account Statement: Jun 2017

<sup>4</sup> By state fiscal year; **not** cumulative.

The components of the Trust Fund are defined as follows:

- Contributions – Contributions received from employers as of June 30<sup>th</sup>.
- Interest – Federal Treasury interest posted to each state's Trust Fund account quarterly.<sup>5</sup>
- Benefits – State funded benefit payments less benefit overpayment recoveries.
- Fund Balance – Unadjusted Trust Fund balance.
- Total Wages – Total covered payroll wages reported by all covered employers for the period beginning July 1<sup>st</sup> and ending June 30<sup>th</sup>.

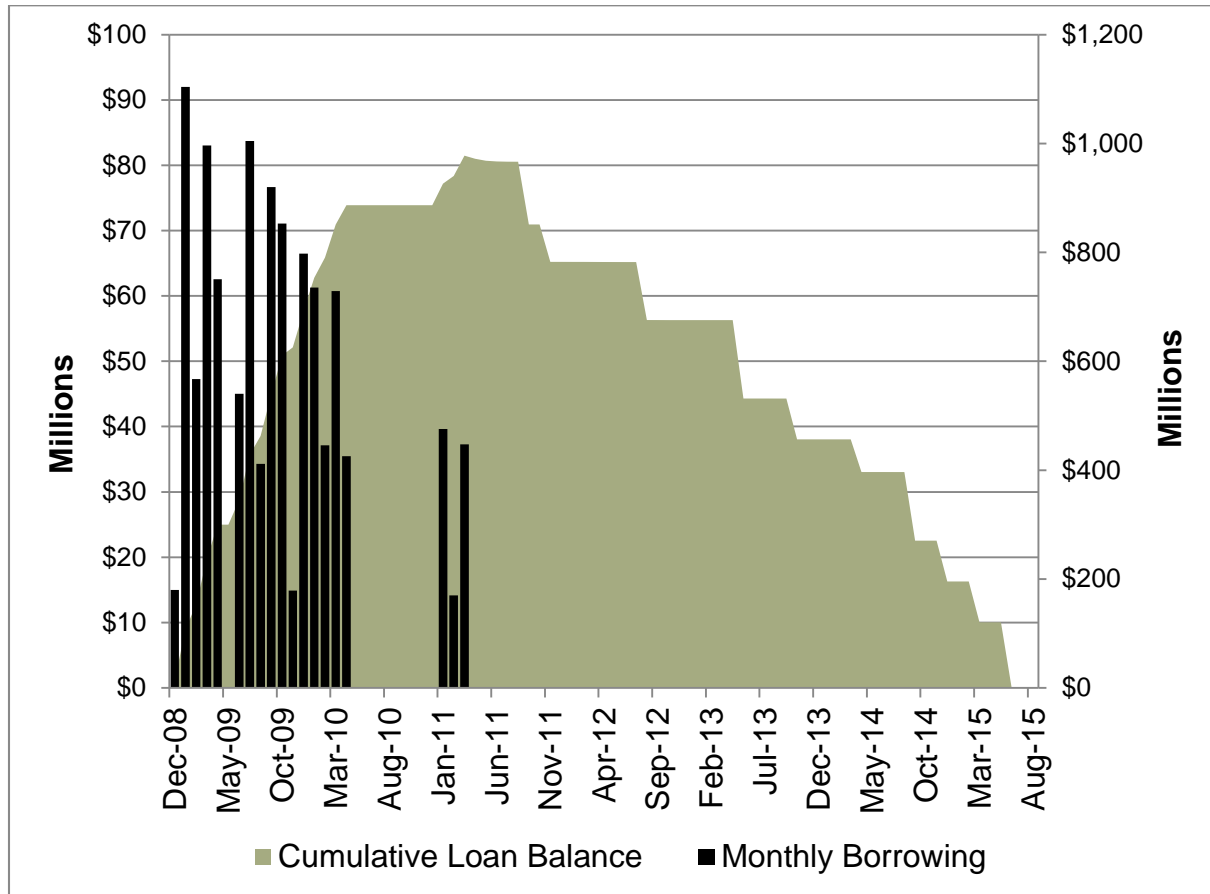
## Overview of Advances/Federal Loan

The UI Trust Fund became insolvent in December 2008 and was required to draw significant federal unemployment advances between December 2008 and April 2010. Additional federal advances were required between January and April 2011. Figure 2 shows the borrowing by month since December 2008. An improvement in the economy, higher than anticipated contributions in the last half of FY2010, a one-time infusion of incentive funding from the federal Department of Labor, and the revised tax structure have all combined to allow the trust fund to reduce borrowing between April 2010 and April 2011. Since April 2011, no additional federal loans have been necessary to fund the benefit payments.

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<sup>5</sup> No interest is due to the state Trust Fund account from the Federal Treasury when a state owes the federal government money.

Figure 2: Monthly and Cumulative Advance Balance, December 2008–September 2015



## Solvency Standards

South Carolina has adopted the most widely accepted measure of trust fund solvency, known as the Average High Cost Multiple (AHCM). *See* S.C. Code Ann. § 41–31–45(A). This measure of whether a state has enough money to cover unemployment claims during an economic downturn was devised in 1995 by the federal Advisory Council on Unemployment Compensation.

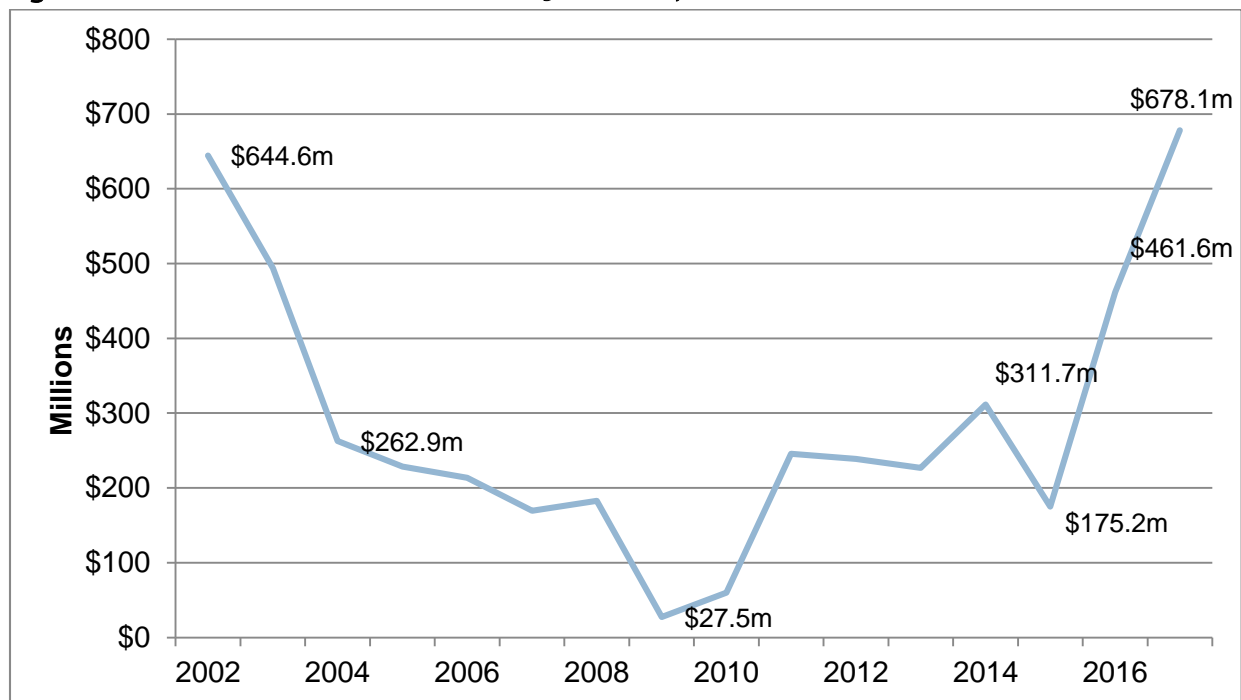
The AHCM is calculated by taking the trust fund balance as a percent of estimated wages for the most recent 12 months (also known as the reserve ratio) and dividing it by the Average High Cost Rate, which is the average of the three highest calendar year benefit cost rates, in the last 20 years or a period including three recessions, whichever is longer. Benefit cost rates are benefits paid as a percent of total wages in taxable employment.

The SC General Assembly has adopted the Department of Labor’s recommendation that a state have an AHCM of 1.0, which means that the state has enough funds to pay one year of benefits at the Average High Cost. This should be sufficient to fund benefits during a moderate recession. Pursuant to state law, the agency promulgated new regulations, 47–500 and 47–501, to return the trust fund to an adequate balance within 5 years. As of June 30, 2017, the state trust fund on deposit with the US Treasury had a positive, unadjusted balance of \$678.1 million.<sup>6</sup>

Table 2 shows South Carolina’s three highest benefit cost rate years, the state’s actual (or projected) total wages, and the trust fund balance that would be required to achieve the recommended solvency level of 1.0.

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<sup>6</sup> Treasury Direct Account Statement: Jun 2017

**Figure 3: UI Trust Fund Balance as of June 30<sup>th</sup>, 2002–2016**

The Trust Fund balance as of June 30, 2017, does not include any outstanding loans because they were repaid in full on June 11, 2015. The timing of the last loan payment accounts for the lower trust fund total in 2015 compared to 2014. This repayment was in accordance with the five-year plan adopted by the General Assembly in 2010. Tax year 2016 was the beginning of another five-year plan to build the Trust Fund to a level that is considered adequate to withstand a moderate recession. Benefit payments continue to remain at historic lows as the state's economy has continued to recover and expand.